

**RESALE POWER GROUP OF IOWA
ANKENY, IOWA**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
FEBRUARY 28, 2006 AND 2005**

RESALE POWER GROUP OF IOWA

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RESALE POWER GROUP OF IOWA

OFFICIALS

Administrative Board -

Terry Hershberger	President	Amana Society Service Company
Pat Stief	Vice-President	Traer Municipal Utilities
Warren McKenna	Secretary/Treasurer	Farmers Electric Co-operative
Norm Parsons	Member	Hopkinton Municipal Utility
Lori Glanzman	Member	Mt. Pleasant Municipal Utilities
Gary Obbink	Member	City of Sibley
Jeff Ishmael	Member	Story City Municipal Utility

Others -

Bob Haug	Executive Director	Iowa Association Municipal Utilities
Kris Stubbs	Business Manager	Iowa Association Municipal Utilities

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Catherine T. Kellogg, C.P.A.

INDEPENDENT AUDITORS' REPORT

Resale Power Group of Iowa
Ankeny, Iowa

We have audited the accompanying financial statements of the Resale Power Group of Iowa as of and for the years ended February 28, 2006 and 2005. These financial statements are the responsibility of Resale Power Group of Iowa's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Resale Power Group of Iowa as of February 28, 2006 and 2005 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2006, on our consideration of Resale Power Group of Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Resale Power Group of Iowa has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

O'DONNELL, FICENEC, WILLS & FERDIG, LLP

June 2, 2006

By 
Certified Public Accountant

RESALE POWER GROUP OF IOWA

STATEMENTS OF NET ASSETS FEBRUARY 28, 2006 AND 2005

ASSETS	2006	2005
Cash and Invested Funds:		
Operations	\$ 1,032,126	\$ 1,267,875
Transmission	15,187	14,732
User Fees	<u>7,633</u>	<u>7,405</u>
Total Cash and Invested Funds	1,054,946	1,290,012
Accounts Receivable	2,011,983	1,810,114
 Total Assets	 <u>\$ 3,066,929</u>	 <u>\$ 3,100,126</u>
 LIABILITIES AND NET ASSETS		
Accounts Payable - Trade	\$ 1,512,366	\$ 1,882,779
Due to the Iowa Association of Municipal Utilities	<u>4,282</u>	<u>5,129</u>
Total Liabilities	1,516,648	1,887,908
 Net Assets -		
Unrestricted	1,550,281	1,212,218
 Total Liabilities and Net Assets	 <u>\$ 3,066,929</u>	 <u>\$ 3,100,126</u>

See Independent Auditors' Report and Notes to Financial Statements.

RESALE POWER GROUP OF IOWA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED FEBRUARY 28, 2006 AND 2005

	2006	2005
OPERATING REVENUES:		
Wholesale Energy Revenue	\$ 33,710,385	\$ 29,757,919
Translink Reimbursement	<u>10,061</u>	<u>39,133</u>
Total Operating Revenues	33,720,446	29,797,052
OPERATING EXPENSES:		
Wholesale Energy Expense	33,015,795	29,151,423
Consultant Expense	103,279	114,320
Translink Expenses	-	39,120
Transmission Investment Expenses	5,000	-
Legal Expense	22,560	32,031
Other Operating Expenses	<u>282,701</u>	<u>223,826</u>
Total Operating Expenses	33,429,335	29,560,720
Operating Income	291,111	236,332
NON-OPERATING REVENUE:		
Interest Income	46,952	19,320
Change in Net Assets	<u>338,063</u>	<u>255,652</u>
Net Assets, Beginning of Year	1,212,218	956,566
Net Assets, End of Year	<u>\$ 1,550,281</u>	<u>\$ 1,212,218</u>

See Independent Auditors' Report and Notes to Financial Statements.

RESALE POWER GROUP OF IOWA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED FEBRUARY 28, 2006 AND 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Receipts from Wholesale Energy Sales	\$ 33,508,516	\$ 29,870,951
Cash Receipts from Reimbursement	10,061	39,133
Cash Payments for Wholesale Energy Purchased	(33,386,208)	(29,186,752)
Cash Payments for Operating Expenses	<u>(414,387)</u>	<u>(404,168)</u>
Net Cash From Operating Activities	(282,018)	319,164
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Received on Investment Earnings	<u>46,952</u>	<u>19,320</u>
 Increase (Decrease) in Cash and Invested Funds	(235,066)	338,484
Cash and Invested Funds, Beginning of Year	1,290,012	951,528
 Cash and Invested Funds, End of Year	<u>\$ 1,054,946</u>	<u>\$ 1,290,012</u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income	\$ 291,111	\$ 236,332
Changes in Operating Assets and Liabilities:		
Receivables (Increase) Decrease	(201,869)	113,032
Accounts Payable Increase (Decrease)	(370,413)	(15,547)
Accounts Payable - Western Area Power Association Increase (Decrease)	-	(14,711)
Due to Iowa Association of Municipal Association Increase (Decrease)	(847)	58
 Net Cash from Operating Activities	<u>\$ (282,018)</u>	<u>\$ 319,164</u>

See Independent Auditors' Report and Notes to Financial Statements.

RESALE POWER GROUP OF IOWA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Organization -*

Resale Power Group of Iowa (RPGI) was organized in 1986 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of RPGI is to obtain wholesale electric energy and transmission thereof and other related services for its members. Management is comprised of an administrative board selected from RPGI members and Iowa Association of Municipal Utilities (IAMU) personnel.

RPGI members are either public or private agencies who are bound by the terms of the 28E agreement filed with the Iowa Secretary of State.

B. *Reporting Entity -*

The Governmental Accounting Standard Board (GASB) requires RPGI to consider if it has oversight or control over any other legal entities and has set forth criteria to consider such in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of an organization to impose its will on another organization or (2) the financial burdens on the Association. RPGI has no such oversight or control and therefore has no component units which meet the Governmental Accounting Standards Board criteria.

C. *Basis of Presentation -*

As a 28E organization, the accounts of RPGI are organized as a governmental entity with its activities reported as an Enterprise Fund. Enterprise Funds are used to account for operations: (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services on a continuing basis be financed or recovered primarily through user charges or, (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

D. *Measurement Focus and Basis of Accounting -*

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

RPGI applies all applicable GASB pronouncements, as well as following pronouncements issued by the Financial Accounting Standards Board (FASB) on or before November 30, 1989, unless such pronouncements conflict with or contradict GASB pronouncements.

See Independent Auditors' Report.

NOTE 1 – (Continued)

E. **Revenue Recognition -**

RPGL distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with its principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

F. **Budget -**

Resale Power Group of Iowa is not required by the Government Accounting Standards Board to and does not publish or approve a public budget. RPGL does, however, prepare an internal-use-only budget as required by Chapter 28E of the Code of Iowa.

G. **Use of Estimates -**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. **Cash and Invested Funds -**

Cash and invested funds (cash equivalents) for the purpose of reporting cash flows, consists of cash and funds in operating bank accounts, including Iowa Public Agency Investment Trust (IPAIT).

I. **Income Taxes -**

RPGL is exempt from federal income taxes pursuant to Revenue Ruling 77-261, 1977-2 C B 45.

NOTE 2 - CASH AND INVESTMENTS

RPGL is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by RPGL; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

All monies deposited with Iowa Public Agency Investment Trust (IPAIT) are held in the IPAIT Diversified Portfolio. The balances totaling \$1,054,946 and \$1,290,012 for 2006 and 2005, respectively, are not FDIC insured as IPAIT is not considered a financial institution. Instead, IPAIT is a common law trust established under Iowa law which authorizes Iowa public agencies to jointly invest moneys pursuant to a joint investment agreement. IPAIT is registered under the Investment Company Act of 1940. Investments in IPAIT are not classified as to custodial credit risk.

See Independent Auditors' Report.

NOTE 3 - SERVICE AGREEMENT

RPGI has a service agreement with Ameren Energy Marketing Company (Ameren), whereby Ameren provides delivery of electric energy capacity to RPGI through December 31, 2008. RPGI has agreed to purchase certain minimum megawatt-hours of energy from Ameren. In turn, RPGI has executed electric services agreements with its participating members to utilize the energy provided by Ameren pursuant to the service agreement.

NOTE 4 - RELATED PARTY TRANSACTIONS

Resale Power Group of Iowa pays Iowa Association of Municipal Utilities (IAMU) an administrative fee for services performed. Total fees to IAMU for the years ended February 28, 2006 and 2005 were \$7,808 and \$6,792, respectively.

NOTE 5 - OTHER CONTINGENCIES

There are legal proceedings against RPGI. While it is not presently possible to predict or determine the outcome of these proceedings, it is the opinion of management that their outcome will have no material adverse effect on the financial position of RPGI.

NOTE 6 - RESTATEMENTS

Certain amounts for 2005 may be restated or terminology changed to be comparative to the 2006 financial statement presentation or terminology. There is, however, no change in net assets or overall receipts and disbursement activities.

See Independent Auditors' Report.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AUDITS OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCES WITH GOVERNMENT AUDITING STANDARDS

Resale Power Group of Iowa
Ankeny, Iowa

We have audited the financial statements of the Resale Power Group of Iowa (RPGI) as of and for the years ended February 28, 2006 and 2005, and have issued our report thereon dated June 2, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Resale Power Group of Iowa's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Resale Power Group of Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Resale Power Group of Iowa's operations for the years ended February 28, 2006 and 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Group. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

This report is intended solely for the information and use of management, the members and customers of Resale Power Group of Iowa, and other parties to whom it may report and is not intended to be and should not be used by anyone other than these specified parties.

O'DONNELL, FICENEC, WILLS & FERDIG, LLP

June 2, 2006

By _____
Certified Public Accountant

RESALE POWER GROUP OF IOWA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED FEBRUARY 28, 2006

Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No Matters were noted.

REPORTABLE CONDITIONS:

No matters were noted.

Other Findings Related to Required Statutory Reporting

- (1) Official Depositories - A resolution naming official depositories has been adopted.
- (2) Questionable Expenses - No expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense - No expenditures of money for travel expenses of spouses of Resale Power Group of Iowa officials or employees were noted.
- (4) Board Minutes - No transactions were found that we believe should have been approved in the Administrative Board minutes but were not.
- (5) Deposits and Investments - Resale Power Group of Iowa has adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.